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Executive Summary Report

Appraisal Date 1/1/07 - 2007 Assessment Roll

Specialty Name: Industrial

Total Population - Parcel Summary Data:

	Land	Improvements	Total
2006 Value	\$ 460,103,100	\$ 463,617,900	\$ 923,721,000
2007 Value	\$ 551,562,600	\$ 492,429,800	\$ 1,043,992,400
Percent Change	+19.88%	+6.21%	+13.02%

Population: 76 economic units consisting of 113 parcels

Conclusion and Recommendation:

Since the values recommended in this report improve equity, we recommend posting them for the 2007 Assessment Roll.

Analysis Process

Specialty and Responsible Appraiser:

Specialty Area – 540 Industrial

The following Appraiser did the valuation for this specialty.

Name: Marie Ramirez – Job Title: Commercial Appraiser II

Highest and Best Use Analysis:

As if vacant: Market analyses of the area, together with current zoning and current and anticipated use patterns, indicate the highest and best use of the land.

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find that the current improvements do add value to the property, in most cases, and therefore are the highest and best use of the property as improved. In those properties where the property is not at its highest and best use a token value of \$1,000.00 is assigned to the improvements.

Special Assumptions, Departures and Limiting Conditions

The sales comparison, income and cost approaches to value were considered for this mass appraisal valuation.

The following Departmental guidelines were considered and adhered to:

- Sales from 1/01/04 to 1/01/07 were considered in all analyses.
- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of three years of market information without time adjustments averaged any net changes over that time period.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6. The industrial appraiser has carefully considered the impact of the national and regional economy on King County's industrial real estate market. The terrorist events of September 11, 2001, as well as changes in the software, high tech, and aircraft manufacturing business have been considered. While sales activity over several years has been analyzed, primary consideration was given to current economic conditions including vacancy and lease rates. In some areas, this may have an impact on sales price to assessed value relationships including coefficients of variation and ratios. In all cases, properties were valued uniformly with similar properties.

Identification of the Area

Name or Designation: Industrial

Boundaries: King County

Maps:

A general map of the area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

Population:

<i>Total</i>	<i>Central West King Co.</i>	<i>Central East King Co.</i>	<i>South King Co.</i>	<i>North West King Co.</i>	<i>North East King Co.</i>	<i>East King Co.</i>
113	20	19	19	20	17	18

Specialty Description:

Industrial Property

“Ideally, a combination of land, improvements, and machinery which has been integrated into a functioning unit intended for the assembling, processing, and manufacturing of finished or partially finished products from raw materials or fabricated parts, such as factories; or a similar combination intended for rendering service, such as laundries, dry cleaners, storage; or for the production of natural resources, such as oil wells.”¹

The Encyclopedia of Real Estate Appraising lists these special characteristics of industrial properties:

1. Greater tendency towards special-use design.
2. Greater average annual obsolescence rate.
3. Large number of locational determinants.
4. Less speculative value in improved properties.
5. Reluctance of banks to make loans on industrial property.
6. Importance of credit rating of occupant.

¹ Encyclopedia of Real Estate Appraising, 3rd Edition, p479

For the 2007 revalue year, six parcels presently improved and used for broadcasting facilities are included in the specialty category for industrial property. Although these properties were not built for manufacturing nor intended for use as such, it was included in this specialty because of the special use of these facilities.

Factors impacting Industrial property value:

Value influencing factors unique to the industrial appraisal field include labor markets, rail and shipping connections, availability/cost of raw materials, actual production plant and plant layout (functionality), investor's expectations, technological modernization, economy (supply and demand) and environmental concerns. These factors were considered in the physical depreciation, functional and economic obsolescence of the improvements that affect the market value of the property.

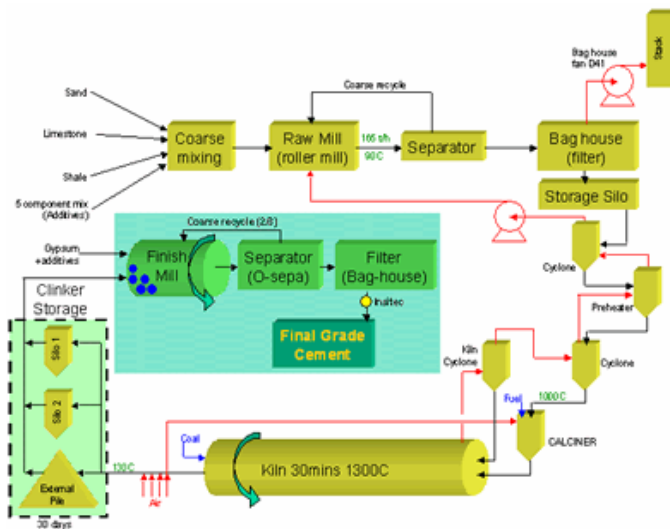
1. Process Flow/ Functionality of Manufacturing Facilities

Process Changes in Cement Production:

Concrete is used as a material in quantities second only to our use of water.

As much as 1.25 tons of CO₂ is produced for every ton of cement.

Around 1600 kg of raw material is needed to produce 1000 kg cement.



Cement production is one of the world's most energy intensive industries. There are two basic methods used in cement production – wet and dry. In the dry process dry materials are proportioned, ground to a powder, blended and fed into the kiln dry. The wet process involves adding water to the proportioned raw materials and completing the grinding and blending operations in slurry form. To conserve energy, most modern cement plants pre-heat raw materials

before they enter the kiln, using the hot exhaust gases from the kiln itself.²

The major factors driving the need for process optimization in the cement industry are the high costs of milling and the effect of particle size on product quality. With around 1% of the world's electrical energy used in crushing and

² Portland Cement Association

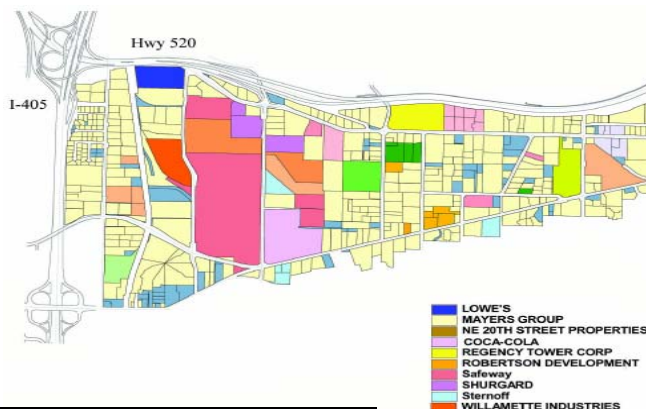
grinding cement, all producers experience financial and environmental pressures to reduce energy consumption through process optimization.



King County has two cement facilities. Lafarge Cement Plant in Seattle located along the West Duwamish River and Ash Grove Cement in Seattle located next to the East Duwamish River. Lafarge Cement still uses the wet process, considered an old technology. Ash Grove converted their cement processing from wet to dry and modernized the entire facility in

1992. Presently, Lafarge Cement does not see the financial benefit of spending millions of dollars for the conversion. Wet process uses more energy and scrutiny from Puget Sound Clean Air Agency. Although Lafarge uses wet process, they have upgraded their machinery & equipment to a more efficient technology (environmentally friendly). Detailed analysis and research indicated that this plant is affected by extra ordinary obsolescence due to the cement process technology they use.

According to the Portland Cement Association, the cement shortage problem that began in the spring of 2004 continues to create shortages in the Southeast, as well as in the West, from Texas through the mountain states to the Pacific Northwest³. Although the producer price index shows national average prices of cement up by 14.9% for the twelve months ending in March, with the overall average for concrete products up about 10.5%, “builders have reported much larger increases for specific products and specific areas, but the problem of availability is still generally more severe than increased cost. Delayed supplies of poured concrete have halted construction projects such as road constructions, and there have been long waits for concrete products such as roof tiles.”⁴

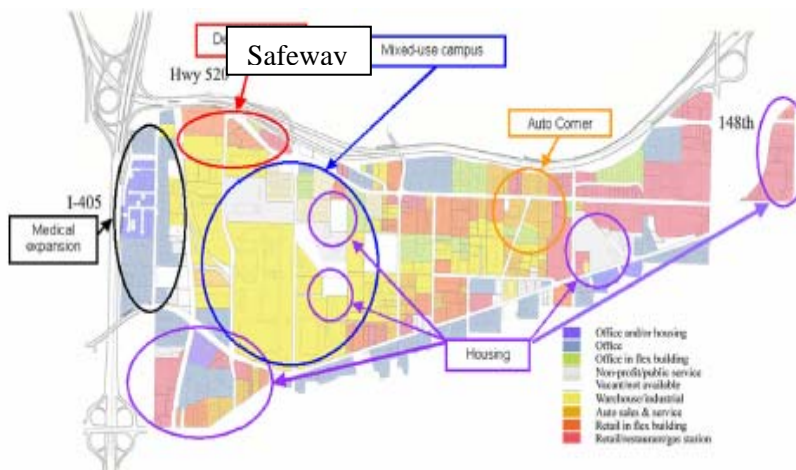


2. A second factor is the rise in land values caused by increased scarcity in urban King County. An example of this issue is the recent move of the Safeway Distribution Center from Bellevue to Auburn. The Bellevue location has 14 buildings with approximately 1,000,000 square feet total gross

³ National Association of Home Builders

⁴ Cement Americas

building area of office, distribution warehouse, storage, Milk and Ice cream production. Safeway built a high efficient modern large distribution warehouse of more than 1,000,000 square feet in Auburn where land is valued at \$6.00 per square feet compared to Bellevue's land value of approximately \$30.00 per square feet. There is a short plat in progress segregating the 60 acre parcel into 4 lots. Safeway is keeping their Milk and Ice Cream plant in its current location. Safeway is the largest landowner in this area but they recently sold a 40+ acres to a Seattle developer.



The City of Bellevue is planning a comprehensive new development that will revitalize the area, and this map shows the highest and most immediate potential for redevelopment. The City's ultimate goal is a combination of mixed use zoning⁵.

3. Higher Margin Operation:

An example of this issue is K-2 Sports, maker of skis, snowboards, skates, and bikes, a locally grown company that has moved its production off shore, in this case to China, to lower its margin of operation. Marketing, graphic design, and prototype production are all that remain here. They have recently moved their headquarters from Vashon Island to South Seattle and in the process of selling their old production facility in Vashon Island.



Another example of higher margin operations that currently thrive here are specialty coffee roasters. The Starbucks roasting plant in Kent is a 24/7 operation which produces approximately 70 million pounds of roast coffee beans a year that serves the western portion of the United States and Canada. Starbucks is in the process of building their



fourth roasting plant in South Carolina to supply stores in the Southeast. At present, they have three roasting plants in the US. In 1993, a 305,000-square-foot plant was opened in Kent,

⁵ City of Bellevue

Washington, just south of Seattle; its output mainly was being used to supply stores west of the Mississippi. In 1994, they built their second roasting plant in York, Pennsylvania, that could be expanded to 1 million square feet to supply stores east of the Mississippi. Their third North American roasting facility was opened in spring of 2003 in Carson City Nevada.



4. **Changes in Technology.** Recently the King County Journal and their twelve affiliated non daily newspapers were sold to Black Press of Victoria, BC. The struggling King County Journal, Washington's eighth-largest newspaper published its final edition last Jan. 21, 2007. For the first time in more than 30 years, there will be no daily based in the county's fast-growing suburbs. The new owner recently announced that they will move their printing plant from their Kent facility to a leased warehouse building in Everett Washington where they will still continue publishing their twelve weekly suburban newspapers for King County,

Lynnwood, Burlington, and Skagit County. The Kent printing plant which was built in 2002 is for sale and can be easily converted from a printing plant to retail/office occupancy. The newspaper turmoil is the result of the economic downturn to the newspaper industry due to the increasing public usage of the internet and the declining newspaper advertising profits from their online rival.

As these are special-use (i.e. single or limited use) properties, it is difficult to generalize each property since each responds to economic forces within its sector of the market place. There are however, several long-term trends that are having impact across the board. Foremost among these is the desire to maximize profits, particularly as family owned and locally developed firms give way to out of state, corporate ownership.

PHYSICAL INSPECTION AREA:

The physical inspection for Industrial properties for this revalue year is located in the south area of King County. The following are the nineteen economic properties inspected:

PROPERTY NAME	PROPERTY DESCRIPTION	PARCEL NUMBER
Ball Corporation	Manufactures aluminum beverage can.	0006800035
Hexcel Corporation	Manufactures composite materials for airplanes & other commercial products.	0122049061
Davis Wires	Manufactures wires for commercial, constructions, & agricultural products.	0122049076
Blue Origin	Aerospace company manufactures a sub-orbital spacecraft for space tourist.	1222049005
Continental Mills	Producers of grain products and mixes with leading names such as Grain Gourmet, Krusteaz, Alpine, and Classic Hearth	1253700420
Continental Mills		1253700430
Starbucks Roasting Plant	Producers, retailer, and roaster of specialty coffee in the world.	1253720020
Sheets Graphics Unlimited	Makers and sheet feeder of corrugated boxes.	1253800110
Rexam Beverage Can	Manufactures aluminum beverage can.	1322049183
King County Journal	Newspaper printing press.	2422049004
NC Machineries	Sales, rentals, & repairs of all CAT machineries and equipments.	2523049046
Smith Brothers Farms	Milk & dairy products processing plant.	3522049001
Shasta Beverage	Producers of soda beverages.	3523049072
American Steel Inc.	Producers & distributors of various metal steel products.	3623049069
Micron Industries	Producers of vinyl products for windows and doors.	3830900160
Rexam Beverage Can	Manufactures aluminum beverage can.	3830900400
King County Journal	Newspaper printing press.	5436200846
Central Premix Concrete	Producers of ready mix cement products.	6314400020
Wall Street Journal	Newspaper printing press.	9265000260

Preliminary Ratio Analysis:

No ratio study was performed for industrial properties. The market for heavy industrial properties is extremely limited. By definition, these properties are useful for a single or limited purpose and rarely sell for investment reasons.

Land Value

Land Sales, Analysis, Conclusions:

The geographic appraiser in the area which the industrial property is located is responsible for the land value used. A list of vacant sales used and those considered not reflective of market are included in the geographic appraiser's reports.

Improved Parcel Total Values

Sales comparison approach model description:

The sales comparison approach was generally not utilized because there are not enough sales to analyze for the different types of Industrial properties. Those sales that did occur were plagued by the problems discussed under Preliminary Ratio Analysis. Although the sales comparison approach was not directly used to value the industrial properties, it was used for certain types of property for reconciliation purpose and was considered only for those properties that have a degree of alternative use. In the case of broadcasting facilities, the market approach was used to arrive at market value. Sales of class A & B office buildings in the Seattle CBD, Lake Union and Bell Town neighborhoods were used to arrive at a range of market value per net rentable area.

Cost approach model description:

The cost approach was the primary valuation methodology utilized for industrial properties. Data to perform the cost approach was available and was therefore considered on most properties in the population. Cost approaches were done using the Marshall & Swift Commercial Estimator for all the buildings and the Department of Revenue (DOR) trended/depreciation tables were used for all the accessories. The Marshall & Swift Valuation Service also provides depreciation schedules based on its studies. Its costs are adjusted to the western United States region and the Seattle area.

Extraordinary (functional and economic) obsolescence was calculated from the cost to cure, supply and demand, and from excess capacity.

Cost calibration:

Every appraiser can individually calibrate Marshall-Swift cost valuations to specific buildings in our area by accessing the parcel computerized valuation model supplied by Marshall & Swift.

Income capitalization approach model description:

The income approach to value was considered only for those properties that have a degree of alternative use. In those cases an economic income approach was completed. Although the income approach was not directly used to value the industrial properties, it was used for certain types of property for reconciliation purposes only.

Income approach calibration:

Income parameter data developed in the Specialty Warehouse/Light Industrial Report was relied upon in the aforementioned instances. Please see that report for rates used.

Reconciliation:

All parcels were individually reviewed by the specialty appraiser for correctness before the final value was selected. Extraordinary obsolescence was considered on a case by case basis. Appropriate adjustments were applied when warranted and adequate documentation was provided.

Model Validation

Total Value Conclusions, Recommendations and Validation:

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is field reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust particular characteristics and conditions as they occur in the valuation area.

The Specialty Appraiser recommends application of the Appraiser selected values, as indicated by the appropriate model or method.

Application of the recommended industrial values for the 2007 assessment year results in an average total increase from the 2006 assessments of 13.02%. This change is due mostly to the market increase of land value in the West and East Duwamish neighborhoods in Seattle and the Eastside neighborhood. The other factors affecting assessed values were the previous assessment levels, industrial market conditions, and updating of property characteristics.

USPAP Compliance

Client and Intended Use of the Appraisal:

*This summary mass appraisal report is intended for use only by the King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others is not intended by the appraiser. The use of this appraisal, analyses and conclusions is limited to the administration of ad valorem property taxes in accordance with Washington State law. As such it is written in concise form to minimize paperwork. The assessor intends that this report conform to the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a **summary mass appraisal report** as stated in USPAP SR 6-7. To fully understand this report the reader may need to refer to the Assessor's Property Record Cards, Assessors Real Property Data Base, separate studies, Assessor's Procedures, Assessor's field maps, Revalue Plan and the statutes.*

The purpose of this report is to explain and document the methods, data and analysis used in revaluation of King County. King County is on a six year physical inspection cycle with annual statistical updates. The revaluation plan is approved by Washington State Department of Revenue. The revaluation is subject to their periodic review.

Definition and date of value estimate:

Market Value

The basis of all assessments is the true and fair value of property. True and fair value means market value (Spokane etc. R. Company v. Spokane County, 75 Wash. 72 (1913); Mason County Overtaxed, Inc. v. Mason County, 62 Wn. 2d (1963); AGO 57-58, No. 2, 1/8/57; AGO 65-66, No. 65, 12/31/65) . . . or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value, the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all of such factors. (AGO 65,66, No. 65, 12/31/65)

Highest and Best Use

WAC 458-12-330

REAL PROPERTY VALUATION—HIGHEST AND BEST USE.

All property, unless otherwise provided by statute, shall be valued on the basis of its highest and best use for assessment purposes. Highest and best use is the most profitable, likely use to which a property can be put. It is the use which will yield the highest return on the owner's investment. Uses which are within the realm of possibility, but not reasonably probable of occurrence, shall not be considered in estimating the highest and best use.

If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922)) The present use of the property may constitute its highest and best use. The appraiser shall, however, consider the uses to which similar property similarly located is being put. (Finch v. Grays Harbor County, 121 Wash. 486 (1922)) The fact that the owner of the property chooses to use it for less productive purposes than similar land is being used shall be ignored in the highest and best use estimate. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))

Where land has been classified or zoned as to its use, the county assessor may consider this fact, but he shall not be bound to such zoning in exercising his judgment as to the highest and best use of the property. (AGO 63-64, No. 107, 6/6/64)

Date of Value Estimate

All property now existing, or that is hereafter created or brought into this state, shall be subject to assessment and taxation for state, county, and other taxing district purposes, upon equalized valuations thereof, fixed with reference thereto on the first day of January at twelve o'clock meridian in each year, excepting such as is exempted from taxation by law. [1961 c 15 §84.36.005]

The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits on the assessment rolls for the purposes of tax levy up to August 31st of each year. The assessed valuation of the property shall be considered as of July 31st of that year. [1989 c 246 § 4]

Reference should be made to the property card or computer file as to when each property was valued. Sales consummating before and after the appraisal date may be used and are analyzed as to their indication of value at the date a valuation. If market conditions have changed then the appraisal will state a logical cutoff date after which no market date is used as an indicator of value.

Property rights appraised:

Fee Simple:

The definition of fee simple estate as taken from The Third Edition of The Dictionary of Real Estate Appraisal, published by the Appraisal Institute. "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

Special assumptions and limiting conditions:

That no opinion as to title is rendered. Data on ownership and the legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements, and restrictions unless shown on the maps or property record cards. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.

That no engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.

That rental areas herein discussed have been calculated in accord with standards developed by the American Standards Association as included in Real Estate Appraisal Terminology.

That the projections included in this report are utilized to assist in the valuation process and are based on current market conditions, anticipated short term supply and demand factors, and a continued stable economy. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.

That no responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.

That the appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in our analysis to any potential diminution in value should such hazardous materials be found. We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.

That no opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.

That maps, plats, and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.

Exterior inspections were made of all properties however, due to lack of access few received interior inspections.

The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.

We appraise fee simple interest in every property. Unless shown on the Assessor's parcel maps, we do not consider easements as adversely affecting property value.

We have attempted to segregate personal property from the real estate in our appraisals.

We have not appraised movable equipment or fixtures as part of the real estate. We have appraised identifiable permanently fixed equipment with the real estate in accordance with RCW 84.04.090 and WAC 458-12-010.

We have considered the effect of value of those anticipated public and private improvements of which we have common knowledge. We can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.

The appraisers have no personal interest or bias toward any properties that they appraise.

Departure Provisions:

Which if any USPAP Standards Rules were departed from or exempted by the Jurisdictional Exception

SR 6-2 (g)

The assessor has no access to title reports and other documents. Because of budget limitations we did not research such items as easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations and special assessments. The mass appraisal must be completed in the time limits as indicated in the Revaluation Plan and as budgeted.